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No. 89 - 149

IN THE
Supreme Court of the United States

OCTOBER TERM, 1989

EVERPURE, INC.

Petitioner,

vs.

CUNO, INC.

Respondent.

**On Petition For A Writ Of Certiorari To The United
States Court Of Appeals For The Federal Circuit**

REPLY BRIEF OF PETITIONER

A. SIDNEY KATZ
Counsel of Record
LAWRENCE J. CRAIN
WELSH & KATZ, LTD.
135 South LaSalle Street
Suite 1625
Chicago, Illinois 60603
(312) 781-9470

Counsel for Petitioner
EVERPURE, INC.

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PRELIMINARY STATEMENT

Respondent, Cuno, Inc. (hereinafter "Cuno") and Judge Markey, writing the majority opinion for the United States Court of Appeals for the Federal Circuit (hereinafter "Federal Circuit"), would unreasonably expand two very important court-made exceptions to the protection afforded inventors under U.S. patent law. Everpure, Inc.'s (hereinafter "Everpure") Petition for Certiorari addressed

one of these doctrines, the “doctrine of repair”. This reply brief addresses the other doctrine considered by the District Court, the “doctrine of implied license”, ignored by the Federal Court, but raised by Respondent in their Brief in Opposition.

Cuno begins its argument by quoting the statement in the Federal Circuit majority opinion that “It was only the presence of the adapter in the Cuno modified cartridge that moved the appeal ‘just over the line marked “frivolous” ’ ” (Respondents’ Brief in Opposition, page 2), while ignoring the well-reasoned dissenting opinion by Judge Newman, and the final 2-1 vote by the Federal Circuit panel. How could the majority ever characterize the appeal as near frivolous when there was a strong dissenting opinion in favor of Everpure’s position? Further, it has always been Everpure’s position that the presence of the Cuno adapter and its incorporation of the claimed features of the patent-in-suit is the reason this action was initiated.

Cuno has misconstrued and misapplied the doctrine of implied license in an attempt to justify the assertion of a secondary defense based on that doctrine. Contrary to Cuno’s assertions, a customer of the Everpure filter system claimed in the patent-in-suit does *not* have an implied license to replace Everpure cartridges in which the filter element is “spent”, with Cuno cartridges coupled to the infringing Cuno adapter. Such action is an unlawful reconstruction of the patented combination. The asserted claims of the Everpure patent specify the filter head, the cartridge and the unique way in which these components fit together to achieve the well documented advantages of ease of replacement and safety. Everpure acknowledges that its customers have a right, or in Cuno’s terms, a “license” to replace spent Everpure cartridges with car-

tridges of other manufacturers. However, this right applies only as long as the replacement cartridges do not infringe the patent-in-suit by using the claimed elements of the interconnection between the filter head and the cartridge. Others may supply replacement cartridges that simply interconnect with the Everpure filter head without using the safety and convenience features that form part of the patented invention. When Everpure's customers use the accused Cuno cartridge *and adapter* within the patented Everpure head to obtain the special features and advantages of the patent, they have reconstructed the invention, and have thus gone beyond the traditional doctrines of repair and implied license.

ARGUMENT

Customers of Everpure's Patented Filter System Did Not Receive An Implied License To Reconstruct The Patented Combination.

As Cuno stated in its Brief, "the authorized sale of an article which is capable of use only in practicing the patent is a relinquishment of the patent monopoly with *respect to the article sold*." *U.S. v. Univis Lens Co.*, 316 U.S. 241, 249 (1942) [Emphasis added].

In the present case, as was established by the testimony of Richard W. Suda, Everpure's Vice President of Marketing, Food Service, and by James B. Vosseller, Everpure's Vice President and General Manager, "the article sold" by Everpure to its customers was the *filter system*, including the filter head and cartridge. Everpure's customers are first convinced of the advantages of water treatment as a way to ensure consistent quality of bever-

ages made with water. Next, the customers are sold on the advantages of Everpure's filter system, including the quick change cartridges. (Hearing on Motion for Preliminary Injunction, April 18-19, 1988, Testimony of Richard W. Suda, pp. 151-157, 162-163, Testimony of James B. Vosseller, pp. 30-31.) Since the customers are always advised of the existence of patents on the Everpure filter assembly and various parts thereof (Affidavit of James B. Vosseller, page 2, Exhibit C, Plaintiff's Response to Defendant's Motion for Summary Judgment), customers buying the Everpure system could reasonably conclude that the benefits of the Everpure system can only be achieved by buying patented Everpure cartridges. In other words, it is "implied" at the conclusion of the sale of the Everpure system, that Everpure cartridges should be used to guarantee the benefits of the system.

In *Beckman Instruments, Inc. v. Technical Development Corp.*, 730 F.2d 1076, 1086 (7th Cir. 1984), *cert. denied*, 469 U.S. 858 (1984), cited by Cuno, the court held that:

An implied license ultimately, however, must rest upon reasonable expectations induced by the patentees. A form of implied contract, it stems from the same legal reasoning which gives rise to the implication from the conduct of the parties of indefinite terms in an otherwise definite contract and to promissory and equitable estoppel.

In *Beckman*, although the Court found that an implied license had been established, the facts are distinct from those at bar. A significant distinction is that in *Beckman*, customers of the patented combination were told that "the equipment was versatile and adaptable to a number of applications", *Beckman*, 730 F.2d at 1085. In the present case, the record establishes that the Everpure filter assembly was sold as a system, the components of which,

i.e., the head and cartridge, are designed to have an interacting relationship with each other, and the structure needed to achieve that interaction was specified in the claims of Everpure's patent. Thus, no wide ranging adaptability of the Everpure system to components of other manufacturers was contemplated.

In addition, the facts of *Beckman* may be further distinguished from the present case by the following quote,

The facts are not squarely within the axiom that the "sale of a patented article by the patentee or under his authority comes with it an implied license to use." *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 484, (1964), because the dynograph itself was unpatented and it could be used in some applications without infringing the patent.

Id. at 1085. In contrast, in the present case, both the filter head and the cartridge were covered by claims of the patent-in-suit and had no other application. Regarding the doctrine of the purchaser's implied license to use the patented product as set forth by the *Beckman* court, cited above, the testimony of record establishes that in view of the repeated contacts by Everpure distributors, the customer of an Everpure system could have reasonably expected that he would be able to readily obtain replacement Everpure cartridges to complete the patented system. (Hearing on Motion for Preliminary Injunction, April 18-19, 1988, Testimony of Richard W. Suda, pp. 152-153). Thus, the customer's implied license to use the patented invention without being subject to charges for infringement was preserved. Naturally, the customer was always free to use cartridges from other sources as long as those non-Everpure cartridges did not incorporate the patented features of the invention.

Cuno has taken testimony by Everpure executives that it was possible to buy Everpure heads separately, and has used that testimony to fabricate a scenario upon which it bases its implied license defense. However, this defense is not based on the reality of the initial filter system purchase transaction, which, as was established at the April, 1988 hearing on the Motion for Preliminary Injunction, involved the sale of the complete Everpure filter assembly. Moreover, the filter head as well as the cartridge are separately protected by claims of the patent-in-suit which were not asserted in the present action. In *Hunt v. Armour & Co.*, 185 F.2d 722 (7th Cir. 1950), the defendant had purchased patented "fingers" usable only in a patented chicken defeathering machine, and contended that he had an implied license under the separate machine claims. The Court held that "each claim of a patent constitutes a separate grant of monopoly." *Id.* 185 F.2d at 729.

It is Everpure's position that the circumstances of the initial sales of its patented filter system did not grant the purchaser an implied license to reconstruct the patented invention, as occurs when a Cuno adapter and cartridge are placed into an Everpure head. Everpure's customers were, of course, free to replace Everpure cartridges with other types of cartridges which did not include the features of the patented cartridge. If, in some odd circumstance, a customer bought an Everpure head by itself, under *Hunt*, such a customer would not have a license to practice the invention of the claims presently in suit.

Lastly, Cuno makes various statements in its brief, such as those implying that Everpure has used its patent to charge an excessive 20-25% "premium" for its products; however, a review of the complete record will clearly reveal that these statements are misleading and un-

ported. The only "premium" testimony elicited was that the Everpure system is a "premium" product, with no implication that it costs 20-25% more than comparable quality products or that its price is excessive. (Hearing on Motion for Preliminary Injunction, April 18-19, 1988, Testimony of James B. Vosseller, pp. 47-48.)

CONCLUSION

For the reasons stated herein and in its Petition for Certiorari, Everpure, Inc. respectfully requests this Court to overrule the decision of the Court of Appeals for the Federal Circuit affirming the district court grant of summary judgment.

Respectfully submitted,

A. SIDNEY KATZ
Counsel of Record
LAWRENCE J. CRAIN
WELSH & KATZ, LTD.
135 South LaSalle Street
Suite 1625
Chicago, Illinois 60603
(312) 781-9470

Counsel for Petitioner
EVERPURE, INC.